

Message Text

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ACTION EUR-12

INFO OCT-01 IO-14 ISO-00 AGRE-00 CEA-01 CIAE-00
COME-00 DODE-00 EB-08 FRB-01 H-02 INR-07 INT-05
L-03 LAB-04 NSAE-00 NSC-05 PA-02 CTME-00 AID-05
SS-15 STR-05 ITC-01 TRSE-00 USIA-15 PRS-01 SP-02
SOE-01 OMB-01 DOE-12 /123 W
-----126695 221839Z /44

R 221636Z DEC 77
FM AMEMBASSY BRUSSELS
TO SECSTATE WASHDC 3946
INFO ALL EC CAPITALS
AMEMBASSY PARIS
USMISSION GENEVA
AMCONSUL BREMEN

UNCLAS BRUSSELS 1919Z

USEEC

PASS AGRICULTURE ELECTRONICALLY
PARIS ALSO FOR USOECD
GENEVA ALSO FOR USMTN

E.O. 11652: N/A
TAGS: EAGR, EEC
SUBJ: EC COUNCIL APPROVES SECOND STAGE CIGARETTE TAX
HARMONIZATION

REF: (A) BRUSSELS 7649, (B) 76 EC BRUSSELS 1533,
(C) 76 STATE 62425

1. SUMMARY: THE COUNCIL HAS APPROVED THE SECOND STAGE
FOR THE HARMONIZATION OF EC CIGARETTE EXCISE TAXES, TO
GO INTO EFFECT JULY 1, 1978. THE SPECIFIC ELEMENT OF
MEMBER STATE CIGARETTE TAXES INCLUDING VALUE-ADDED TAXES
(VAT) MUST FALL WITHIN A RANGE OF 5 TO 55 PERCENT DURING
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THIS STAGE. END SUMMARY.

2. THE COUNCIL OF FINANCE MINISTERS ADOPTED A DIRECTIVE
IMPLEMENTING THE SECOND STAGE FOR THE HARMONIZATION OF
CIGARETTE EXCISE TAXES AT ITS DECEMBER 19, 1977 MEETING
(SEPTEL). THE DIRECTIVE CALLS FOR MEMBER STATES TO
APPLY A SPECIFIC ELEMENT OF NOT LESS THAN 5 NOR MORE

THAN 55 PERCENT OF THE AMOUNT OF THE TOTAL TAX BURDEN PLACED ON CIGARETTES (I.E., EXCISE TAX PLUS VAT). THE SECOND STAGE IS SCHEDULED TO GO INTO EFFECT JULY 1, 1978; IT WILL END DECEMBER 31, 1980. A DEROGATION HAS BEEN PROVIDED FOR IRELAND, PERMITTING THEM TO APPLY A SPECIFIC ELEMENT OF 60 PERCENT UNTIL THE END OF 1978. THE DIRECTIVE ALSO GRANTS THE UK THE RIGHT TO APPLY A HEALTH SURTAX TO EXISTING EXCISE TAXES ON CIGARETTES; HOWEVER, THE SPECIFIC ELEMENT OF THE TOTAL TAX INCLUDING THE HEALTH TAX MUST STILL FALL WITHIN THE RANGE OF 5 TO 55 PERCENT. THE HEALTH SURTAX WILL BE VARIED ACCORDING TO THE TAR CONTENT OF THE CIGARETTE. THE FIRST STAGE OF CIGARETTE TAX HARMONIZATION REQUIRES MEMBER STATES TO APPLY A SPECIFIC ELEMENT OF NOT LESS THAN 5 NOR MORE THAN 75 PERCENT OF THE EXCISE TAX, EXCLUDING THE VAT. IT WAS ORIGINALLY SCHEDULED TO END ON JUNE 30, 1975, BUT WAS EXTENDED SEVERAL TIMES DUE TO THE INABILITY OF MEMBER STATES TO AGREE ON THE SECOND STAGE.

3. THE COMMISSION HAD PROPOSED IN FEBRUARY 1976 A SECOND STAGE OF HARMONIZATION WHICH WOULD REQUIRE THE SPECIFIC COMPONENT OF THE TAX TO FALL WITHIN A RANGE OF 15 AND 50 PERCENT OF THE TOTAL TAX BURDEN (REF. B). COMMISSION OFFICIALS SAY THAT EVEN THOUGH 5 PERCENT HAS BEEN RETAINED AS THE MINIMUM FOR THE SPECIFIC COMPONENT OF THE TAX, THE SECOND STAGE WILL STILL HAVE UNCLASSIFIED

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A SIGNIFICANT EFFECT ON THOSE COUNTRIES WITH LOW SPECIFIC COMPONENTS BECAUSE THE PERCENTAGES NOW APPLY TO THE VAT AS WELL AS TO THE EXCISE TAX. THE SPECIFIC ELEMENT OF THE CIGARETTE TAX IN FRANCE, FOR EXAMPLE, WILL RISE FROM 3.2 TO 5 PERCENT IN THE SECOND STAGE. THEY ALSO NOTE THAT INCLUSION OF THE VAT IN THE CALCULATION OF THE PERMISSIBLE SPECIFIC ELEMENT MEANS THAT THESE COUNTRIES WILL NO LONGER BE ABLE TO AVOID ANY REAL INCREASE IN THE SPECIFIC COMPONENT BY REDUCING THE EXCISE TAX AND CORRESPONDINGLY INCREASING THE VAT. COMMISSION OFFICIALS SAY THAT, ON THE OTHER HAND, BECAUSE OF THE INCLUSION OF THE VAT, THE EFFECT OF THE SECOND STAGE ON COUNTRIES WITH HIGH SPECIFIC COMPONENTS WILL NOT BE AS GREAT AS THE DROP IN THE MAXIMUM FROM 75 TO 55 PERCENT WOULD SUGGEST. THE SPECIFIC COMPONENT OF GERMAN CIGARETTE TAX, FOR EXAMPLE, WILL FALL FROM 62 TO 55 PERCENT.

3. IT WILL BE RECALLED THAT THE U.S. GOVERNMENT MADE REPRESENTATION TO THE MEMBER STATES AND THE COMMISSION AND ADVISED THEM THAT OUR PRELIMINARY ASSESSMENT OF THE COMMISSION'S 1976 PROPOSAL INDICATED THAT U.S. TOBACCO

EXPORTS WOULD BE ADVERSELY AFFECTED BY IT (REF. C).
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TOBACCO, POLICIES, TAX COLLECTIONS
Control Number: n/a
Copy: SINGLE
Sent Date: 22-Dec-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01-Jan-1960 12:00:00 am
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977BRUSSE19192
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770478-0312
Format: TEL
From: BRUSSELS USEEC
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19771228/aaaaawyw.tel
Line Count: 118
Litigation Code IDs:
Litigation Codes:
Litigation History: Hold (001 Tobacco) added on 4/16/2009 3:39:01 PM by WASHDCMcGoldRJ, Hold (001 Tobacco) removed on 4/16/2009 3:44:58 PM by WASHDCMcGoldRJ (Litigation Hold Lifted)
Locator: TEXT ON-LINE, ON MICROFILM
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